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Private Ecclesiastical Counsel
United States & International

ABANDONED CREDIT RECOUPMENT VIA 1099-OID

DEBTOR VS. CREDITOR FILINGS

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SUBJECT: An analysis of the fatal legal errors in "Strawman" OID filings versus the lawful Fiduciary Recoupment via International Grantor Trusts.

1. Executive Summary

This paper examines the critical distinction between two methodologies of filing IRS Form 1099-OID to reclaim funds generated by the securitization of private commercial instruments.

The first method—filing as the **"Debtor" (Ens Legis)**—involves an individual using their Social Security Number (SSN) to claim they are the recipient of OID income from a bank. This method is legally flawed, triggers "frivolous filing" penalties, and has led to high-profile criminal convictions.

The second method—filing as the **"Creditor" (Fiduciary)**—involves establishing a **98-Series International Grantor Trust** to act as the Holder in Due Course. This method aligns with the nominee reporting requirements of IRS Publication 1212, correctly identifying the living grantor as the source of the funds while separating them from the liable debtor estate.

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2. The Mechanics of the "Debtor Filing" Failure

The vast majority of 1099-OID failures stem from a fundamental confusion regarding **capacity**.

A. The SSN ITIN Tax Reference Trap

When a living man or woman files a 1099-OID listing their own Name (all caps) and the tax reference for the “Strawman” as the "Recipient," they are filing as the **Debtor Estate** created by the Birth Certificate.

- **The Conflict:** The “Strawman” entity is legally a U.S. Person/Taxpayer. By definition, a taxpayer owes the IRS; the IRS does not owe the taxpayer "commercial energy."
- **The "Refund" Fallacy:** When the Debtor entity claims a massive withholding amount (the face value of a mortgage or loan) on a 1040 return, the IRS computer may initially issue a refund check automatically. However, because the SSN is a *liability* account, the system eventually flags this as an anomaly. The IRS views this as a debtor trying to wipe out a debt with a made-up credit, rather than a creditor reclaiming an asset.

B. Case Studies of "Clawed Back" Refunds & Prosecution

The courts have consistently prosecuted individuals who filed 1099-OID claims using their “Strawman”/Debtor capacity, treating these filings as "fictitious obligations."

- **United States v. Anderson (2011):** The defendants filed 1099-OID forms claiming that their mortgage payments were actually "withheld OID income." They received millions in refunds, which were subsequently clawed back. The court ruled this was a fraudulent attempt to use the tax code to discharge personal debt, leading to lengthy prison sentences.
- **United States v. Brekke (2013):** Brekke promoted the "1099-OID process" to help others discharge debt. The court found that filing OIDs against creditors (banks) listing the *borrower* (SSN) as the recipient of income was factually false because the bank never issued such income to the *Debtor entity*.
- **United States v. Heath (2014):** Heath attempted to use 1099-OID filings to reclaim "abandoned funds." The refund checks were issued and then clawed back. The prosecution successfully argued that because the filings were made under the individual's personal tax identity (SSN), they constituted a "false claim against the United States."

Ecclesia Analysis: These failures occurred because the filers attempted to mix jurisdictions. They tried to claim **Sovereign/Creditor** rights (recoupment) while standing in a **Subject/Debtor** capacity (SSN/1040).

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3. The Lawful Remedy: Fiduciary Recoupment (The Creditor Filing)

To lawfully recoup credit, one must step out of the "Debtor" role and operate as a **Third-Party Creditor** via a Trust structure.

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A. The 98-Series International Grantor Trust

Instead of the SSN entity filing the claim, a **Foreign Grantor Trust** (with a 98-Series EIN) acts as the filer.

- **Status:** This Trust is a separate legal entity. It is not the "Strawman"; it is a foreign treasury.
- **Capacity:** The Trust acts for the **Holder in Due Course** of the original promissory note. It asserts that the bank received the note as a nominee and failed to report the OID to the true owner (the Trust).

B. IRS Publication 1212 Compliance

This method strictly adheres to the "Nominee Reporting" rules in Pub 1212.

- **The Narrative:** The filing does not say, *"The bank owes me, the debtor, money."*
- **The Correction:** The filing says, *"The bank acted as a nominee middleman. It received OID income on a security that belongs to this Foreign Trust. The bank failed to issue the 1099-OID to the Trust. As the Fiduciary, I am now filing the 1099-OID to correct the record and attribute that withheld credit to the Trust's EIN."*

C. The "Clifford Protocol" Difference

Under the **Clifford Protocol**, the recoupment is a **ledger correction** between two commercial entities (the Bank and the Trust). The "Debtor" (SSN) is left entirely out of the equation.

- **No "Refund" to the Person:** The credit is released to the **Trust**, not the individual.
- **Separation of Liability:** Because the filing is done by a Fiduciary for a Foreign Entity, it bypasses the "frivolous filer" filters that target personal 1040/SSN returns.
- **The true creditor and Holder in Due Course is the living man/woman, the beneficiary of the trust.**

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4. Technical Comparison Table

Feature	The "Debtor" Filing	The "Creditor" Filing
Filer Identity	Individual / Strawman (Ens Legis)	Foreign Grantor Trust (Fiduciary)
ID Number Used	Social Security Number (SSN)	98-Series EIN (Foreign Trust)
Legal Capacity	U.S. Taxpayer / Debtor	Fiduciary for Holder in Due Course / Creditor
Claim Basis	"My debt is money" (A4V theory)	"Nominee failed to report income" (Pub 1212)
IRS Reaction	"Frivolous Filing" / Fraud / Clawback	Data Match / Ledger Correction (810 Code)
Outcome	**Criminal Prosecution (Anderson/Heath)**	**Lawful Recoupment of Abandoned Credit**

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5. Conclusion

The historical failure of 1099-OID filings is not due to the invalidity of the OID concept, but due to the **fatal error of filing as the Debtor**. The "Strawman" (SSN entity) owns nothing and is owed nothing; it is a liability vessel.

To succeed, the living man must abandon the "Debtor" capacity and utilize the **Clifford Protocol** to establish a **98-Series Trust**. Only a distinct, foreign entity acting as a Fiduciary has the standing to enforce the nominee reporting rules of IRS Publication 1212 and lawfully recoup the credit without triggering the "frivolous" clawback mechanisms of the IRS.